



History of Cooperatives and Expanded Budget Flexibility Under Montana Law
Prepared for the School Funding Interim Commission
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1. **1979** – Full Service Education Cooperatives first authorized under Title 20, Chapter 7, Part 4.
 - a. Never took off as originally envisioned.
 - b. Most cooperatives formed up until 2011 were for special education and curriculum.
 - c. Reasons:
 - i. In spite of the words “full service”, the allowable expenditures under a contract were fairly narrow (e.g. 20-7-451(2))
 - ii. Too regulated:
 1. Had to be approved by the superintendent of public instruction and filed with the secretary of state.
 2. No relief from budget silos.
2. **2001** – MTSBA and MREA worked with Senator Alvin Ellis to successfully amend the law under SB 436 to allow districts expanded authority to transfer funds from one fund to another.
 - a. Initiated out of frustration with the budget silos created by law and the lack of sufficient discretion/flexibility in the hands of trustees to efficiently and effectively allocate and spend funds of the district.
 - b. Allowed transfers of state funds when the trustees determined that there was a more efficient way to spend the state money.
 - c. Protected local taxpayers by prohibiting transfers of local funds for anything outside of the original purpose for which the funds were raised.
3. **2005** – Following on heels of QSIC discussion regarding the number of funds and fund consolidation (which did not yield much if any progress), MTSBA and MREA successfully added what is now 20-3-363 into the law as an amendment to HB 63 (Representative Villa).
 - a. The original version of 20-3-363 was fairly limited, in that it allowed for a multidistrict agreement between boards of the same school system (e.g. Helena Elementary and Helena High).
 - b. Designed to overcome the disadvantage of a unified school system (with two separate taxing jurisdictions) vs. a true K-12 school system (with one taxing jurisdiction).
 - c. Protected local taxpayers by limiting the amount that could be transferred to the Direct State Aid portion of each district’s budget (44.7%).
4. **2011** – MTSBA and MREA worked with Senator Ryan Zinke to draft and pass SB 329 providing for multidistrict agreements/cooperatives.
 - a. Important to note that SB 329 became the school funding vehicle of the 2011 session, so much of its contents were not part of the original bill but were major portions of SB 403 (Senator Jones) which were amended into the bill in conference committee, along with new data collection and dissemination

obligations of school districts that were added in via a floor amendment by then-Representative Regier.

- b. The concept behind SB 329 was to provide school districts the funding and budget flexibility needed to improve efficiency without losing community ownership and local control. We wanted to create law that would incentivize and encourage local districts to partner together from the ground up.

c. Key Provisions:

- i. Allowed two or more districts to form a cooperative "to perform any services, activities, and undertaking of the participating districts and to provide for the joint funding and operation of all participating districts upon the terms and conditions as may be mutually agreed to by the districts."
- ii. Allowed districts participating in a purchasing cooperative to follow a streamlined alternative for bidding purchases "if the cooperative purchasing group has a publicly available master list of items available with pricing included and provides an opportunity at least twice yearly for any vendor, including a Montana vendor, to compete, based on a lowest responsible bidder standard, for inclusion of the vendor's supplies and services on the cooperative purchasing group's master list.
- iii. Expanded authority to fund the cooperatives with resources of any budgeted fund of the participating districts.
- iv. Removed the budget silo limitations of funds transferred.
- v. Gave new authority to voters to approve of fund transfers that would otherwise be prohibited.
- vi. Protected taxpayers by prohibiting a district from increasing any nonvoted levies to restore any amounts transferred out of a fund supported by a nonvoted levy.
- vii. No requirement of approval by the State Superintendent or filing with the Secretary of State (which differentiated multidistrict cooperatives from the 1979 "full service educational cooperatives" under 20-7-451 et seq.

Possibilities on the Horizon:

- 1. In theory, all the districts in the state could form a single or multiple cooperatives for any number of activities (e.g. transportation and bus purchases, technology, health insurance, purchasing of goods and supplies, etc.).
 - a. Direct State Aid statewide is \$436 million this year, and is eligible for use in multidistrict agreements.
 - b. The combined annual total of all other adopted budgeted funds is \$559 million is eligible for use in multidistrict agreements.
- 2. Anything short of the scope of authority in 1 above is allowed and possible. E.g. regional, county-wide cooperatives, joint building projects, joint bonds, etc.